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WOMEN AND PENSIONS

Brief to the Parliamentary Task Force on Pension Reform

Ontario Status of Women Council

September 1983

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INTRODUCTION

The Ontario Status of Women Council is an advisory body to the Government of Ontario on matters pertaining to women. The Council was established in 1973 in response to the Green Paper, Equal Opportunity for Women in Ontario: A Plan for Action. Since that time, Council has made numerous submissions to the Ontario Government on subjects ranging from family law reform to employment strategies for women.

At the present time, Council membership includes a President, Vice-President and 12 members, all part-time, appointed by Order-in-Council for terms varying from one to three years.

Council has held a number of consultations with women's groups in order to bring important issues to their attention. Council's briefs are frequently requested by government officials, teachers, researchers, students and members of the business community. The Council's newsletter is distributed to approximately 10,000 individuals, women's organizations, provincial and federal legislators, businesses, libraries and media personnel.

The Ontario Status of Women Council acknowledges that reform of the existing system of providing retirement income must address a great many problems, will necessitate the co-operation of federal and provincial governments, and will require changes in both public and private pension arrangements. Among the many issues in pension reform that are of particular interest to women, perhaps the most significant relate to the recognition to be given to the child-rearing and home-making functions. How these functions affect women's work patterns and how they are to be recognized in an equitable retirement income system are discussed in this brief.

The Council fully appreciates the contribution to society of women whose work is and has been the care of others, and recognizes the right of each woman to assume any or all of the functions of paid or unpaid (volunteer) employment, child-rearing and home-making, in whatever manner she chooses. While this brief may refer to women as the home-makers and child-rearers, our comments apply equally to men who fulfil these roles.

In this brief, Council adopts a long view of women and pensions: Women, in Council's view, will continue to assume the primary responsibility for child-rearing and will continue to live longer than men. Pension reform will have significant effects on income and living standards, not only for the immediate future, but for generations to come. Our recommendations address these realities.

The Council will consider first, the situation of today's elderly women. Then we shall consider pension reforms that will ensure that women now under 65 will be able to accumulate sufficient resources to live comfortably in retirement. In addition, where appropriate, this brief will refer to two major Ontario studies: the ten-volume Report of the Royal Commission on the Status of Pensions in Ontario (1980), and the Final Report of the Ontario Select Committee on Pensions (1982).

THE POVERTY OF ELDERLY WOMEN

The poverty of elderly single persons, most of whom are women, is well-documented. The Special Senate Committee on Retirement Age Policies (1979) found that three times as many women as men 65 and over were poor. More than 60% of elderly single persons live on incomes below Statistics Canada's low income cut-off level. Single persons rely on public pensions to a greater extent than couples, and single women to a greater extent than single men.

Women constitute 77% of our elderly single population. While the majority of men age 65 and over are married, the majority of women age 65 and over are widowed. More than half of elderly women are widowed compared to 16% of elderly men.¹

In addition to the greater number of women in absolute terms, life expectancy continues to increase and the gap of life expectancy between males and females continues to widen. (At age 65 the average life expectancy is 18 years for women and 14 years for men.) Furthermore, wives on average are 3 years younger than their husbands.

Today's elderly persons rely heavily on income from government retirement income arrangements.²

Almost 70% of recipients of the full Guaranteed Income Supplement (GIS) are women and over 90% of recipients of the Spouse's Allowance are women.³ The Canada Pension Plan/Quebec Pension Plan (CPP/QPP) accounts for little: 10% of all income for men and 5% for women. Pension and annuity income provides another 15% of all income for men and 8% for women.

There is an inequity in the treatment of single and married senior citizens. In 1982, a married couple aged 65 and over was guaranteed \$10,083.66 in Old Age Security (OAS) and GIS, or 86% of the Statistics Canada's low income cut-off level (2-person urban household).⁴ The unattached senior citizen was guaranteed \$5,694.29, or 64% of the low income cut-off level of a single person (1-person urban household). The gap was greatest in Ontario where the Guaranteed Annual Income Supplement (GAINS) raised the level for couples to 7% above the cut-off level (\$12,543.70) and for single persons to 23% below the cut-off level (\$6,870.50).⁵

As of July 1983, elderly Canadians with little or no income were guaranteed through OAS and GIS \$514.35 per month for single persons and \$910.68 per month for married couples.⁶ Ontario's supplement (GAINS) provides an additional \$48.88 monthly to singles and \$159.62 to couples.

The Ontario Status of Women Council believes the first priority of pension reform must be to provide greater income to poor elderly single persons. Therefore, Council recommends an increase in GIS to the single low income cut-off level --- or at least to a fair proportion of the elderly couple's guaranteed income. If the Government of Canada is unwilling to increase GIS, Ontario should take the initiative through its GAINS program. Single persons should receive at least two-thirds of the income guaranteed to a couple.

WOMEN AT WORK

The increase in labour force attachment of women, particularly married women, is one of the major social changes of this century. The participation rate has increased from 20% in 1941 to 50% today; and 60% of these women are married. In Ontario, 72% of women between the ages 25 and 34 are in the labour force. This work-force participation will continue to increase.⁷

Low Earnings

In spite of increased labour force participation, women's earning levels are still low. Women are employed in lower-paid occupations. Sectors employing large numbers of women such as sales and service occupations are among the lowest paying; and even in these sectors men earn more than women. As a result, women will receive less from earnings-related pensions, whether provided by government or employers.

The CPP/QPP is linked to the Average Industrial Wage with the maximum pension payable for earnings at that level. Employment pensions are also based on earnings. Over 90% of plan members are in defined benefit plans and 80% of these are in plans based on earnings, that is, in career average plans or final or best average plans.⁸ Low earnings therefore mean low pensions.

Low Coverage

In order to obtain a pension benefit, however, employees must work in pensionable employment. While virtually all employment is pensionable under the CPP/QPP, only 50% of Canadian workers are included in employment pension plans at any one point in time. The main shortfall

in coverage is among women in the private sector where a mere 22% are members of a pension plan.⁹ Even at ages 55-64, where coverage for men is over 80%, coverage for women is 44%.¹⁰

Coverage varies by type of employment. Mining and manufacturing have high rates of coverage, while such sectors as retail trade have low coverage rates. Women work predominantly in the areas of low coverage.

Indications are that coverage in employment plans will not increase substantially.¹¹ Even with improvements in pension plan design, only those employees who remain in pensionable employment for long periods of time will obtain adequate pension benefits. In the absence of a mandatory employer-sponsored pension plan, more retirement income must be provided so that all workers are protected against poverty in old age. This should be accomplished by increasing CPP benefits so that the total income replacement of OAS and CPP/QPP is 50% of the Average Industrial Wage (AIW). Increased benefits under CPP should take into account that OAS replaces about 10-15% of the AIW.

If an increase in the benefit structure is not possible, consideration should be given to modifying the CPP/QPP to deliver more benefits by raising the level of the Year's Maximum Pensionable Earnings (YMPE) to the AIW and reducing the number of years in the contributory period.

The Council favours any steps which will provide greater replacement of earnings up to the AIW.

Lack of Continuous Service

Membership in employment pension plans at any given time is no assurance that a pension benefit will be obtained. As most plans are currently designed, an employee must work for one employer who provides a pension plan over a working life of some 35 years to obtain full pension credits or the maximum pension -- about 70% of pre-retirement earnings. Without long and continuous service, an employee cannot hope to earn more than a fraction of the plan's potential pension.

Partial pensions are earned when the vesting rule is satisfied, that is, the minimum legal requirement, generally 10 years' continuous service or age 45 and 10 years' continuous service. In the private sector, employees who terminate after vesting obtain a deferred life annuity which is not usually indexed prior to retirement. Such unindexed benefits may be of little value, and often do not amount to much more than the employee's contribution (see Appendix A).

Generalized criticism directed towards women who terminate employment just before vesting to obtain a refund of contributions is not always warranted. In fact, such women, under the design of existing plans, may well be exercising sound financial judgment. As things now stand, a vested benefit may be paid for solely by her own contributions and such an unindexed deferred annuity may be of little value; the monies may be used for such sounder investments as reducing a mortgage or making a down payment on a house.

Even though all service counts towards the CPP pension, an employee must work for a sufficiently long period of time to obtain a significant CPP pension. To obtain the maximum CPP pension a worker must work the entire 47-year contributory period from age 18 to 65 (or continuously from 1966) less the 15% dropout and the child-rearing dropout where

applicable. Length of continuous service thus determines entitlement to any pension under employment plans, and determines the amount of pension under both CPP/QPP and employers' plans.

The requirement for long continuous service in order to obtain a pension has a devastating effect for women because while there are significant exceptions among many career women, in general, women's work patterns are different from men's. The Ontario Royal Commission found clear differences between male and female job mobility histories¹²:

- women tend to keep their jobs for shorter periods than men;
- women spend three times longer than men between jobs;
- women are far more likely to leave the labour force after their first job;
- of those women leaving after one job, 61% later re-enter the labour force. In most cases they have left work to undertake home-making and child-care activities;
- these patterns persist throughout the entire work history.

The Royal Commission's findings are supported by pension coverage data which show that male coverage increases steadily from age 18 to 64, while female coverage falls off between ages 35 to 44 -- reflecting both the effect of child-rearing and the prevalence of part-time and short-service work patterns among women.¹³ Female coverage is highest between ages 25 and 34.

The Royal Commission put it this way:

"Therefore it seems questionable to support through the tax system a plan design which benefits fully only long-service employees and which (by default) prevents short-service employees from receiving adequate pensions. Every short-service employee under these plans is a potential recipient of government assistance after retirement since, despite the care with which the person may plan for future retirement, there is little hope of achieving a work pattern that will yield the optimum pension under a defined benefit plan. Women especially are at a disadvantage. Their careers usually are broken either for raising children or for the care of the

household, including aged relatives. The break in employment most often occurs around age 25 - before she has accrued any vested pension credits, except CPP - and ends in the late thirties. Paid employment then continues to age 65 or until her husband retires. Meanwhile the wife's work pattern, if influenced by the husband's, is likely to be intermittent. And, where the husband's pension credits may continue if his employer moves him to another city, his wife loses the benefit of unbroken service in any plan to which she belongs. With almost 50 percent of the work-force in Ontario now made up of women, the inequitable aspects of vesting in defined benefit plans are more visible than before; although the rules of the game obviously make for very few "winners" - male or female.

It should be pointed out that discontinuity of pensionable service is not always simply a matter of moving from plan to plan. Our illustrations assumed that on each change of employment Worker B was able to enter a plan with the same benefit formula. But if the next employer had no pension plan, B would have no opportunity to accrue credits during several years of work-life, and no opportunity to make up for that loss in a later period. Thus, the ability of B to acquire a 50 percent level of retirement income - as unsatisfactory as that may be - depends on an almost ideal assumption."

Portability

It is therefore critical that employment pensions provide greater rights to employees on termination of employment. However, earlier vesting and locking-in are not enough. Such improvements, taken alone and in the context of existing plan design, may be valueless. There is no point providing vesting and locking-in if the benefit is not protected from the effect of inflation between termination and actual retirement. If portability is genuinely perceived to be a goal, it can be accomplished only by giving employees benefits or the equivalent value of such benefits on termination. Employees must be able to obtain the present value of the pension benefit and have the choice of placing such funds in a locked-in vehicle such as a Registered Pension Account (RPA) - a new tax-assisted retirement savings vehicle proposed by the Green Paper.¹⁴ In this way, the funds may be accumulated with interest to retirement.

The Council considered 2-year vesting as suggested in the Green Paper, but prefers vesting and locking-in after 5 years' service with no age limitation for eligibility¹⁵ for the following reasons:

- vesting and locking-in after 5 years' service may be perceived as a more reasonable requirement;
- 5-year vesting would avoid some of the administrative burden resulting from an earlier vesting period - especially for employers with a high turnover of young employees;
- a 5-year vesting rule avoids the requirement of a concurrent high eligibility rule, such as age 26, as suggested by the Green Paper.

More importantly, the Council recommends improved rights on termination of employment as follows:

- the right of the employee to transfer the value at termination of the employee's vested benefit to an RPA or new employment pension plan, such right to be available whether the plan is contributory or non-contributory. The termination value could be discounted to take into account the funded ratio of the plan;
- the creation of a national central pension agency to record information about benefits, perhaps in conjunction with CPP;

- provision that refunds of employee contributions (of unvested employees) be equal to their contributions with interest calculated at not less than the annualized rate of chartered banks' non-chequing accounts, compounded annually.

Employees should be given the option to leave all of the vested benefit with the employer if the employer agrees, and in such a case the employer would be required to provide some protection from inflation between termination of employment and retirement.

Part-Time Employees

The tasks of child-rearing and housework in our society fall largely on women, and for those who also work for pay out of economic necessity, part-time work is often the short-term answer to their immediate needs.

In Ontario in 1980, 412,000 women worked part-time. 23% of all women's jobs were part-time compared to only 6% of all men's jobs. More than 72% of all part-time workers were women. Part-time jobs in general are those held by women and paying low wages.

When compared to full-time workers, part-time workers suffer more from low wages, lack of job security, lack of unionization, lack of benefits, and limited advancement. Pension plans typically cover full-time permanent employees and exclude part-time employees.

The Council believes part-time employees must also be able to participate in pension plans, but recognizes some of the problems arising in this regard:

- definition of "regular part-time";
- calculation of service for eligibility and vesting;
- calculation of service to determine the amount of benefit;
- integration with existing plans. If full-time coverage is not mandatory, can part-time inclusion be required? If part-time coverage is optional, would employees join only non-contributory plans and not those that are contributory?
- difficulties in integrating part-time employees. If an employer has more than one plan (e.g. a plan for salaried employees, another for hourly employees; some may be union-negotiated and others not).

The least disruptive way to integrate part-time employees is with requirements that conform to the existing conditions of employment. If a pension plan is compulsory for full-time employees, it should be compulsory for part-time employees. If a pension plan is voluntary, it could be voluntary for part-time employees -- provided such part-time employees in any case have the right to join. If there are several plans for different types of employees, part-time employees should be assigned to the plan whose members' jobs most closely approximate those of the part-time employees.

As to the question of defining "regular part-time", the Council recommends 600 or 700 hours in a year be considered as regular employment. Such a definition would be sufficiently flexible to cover e.g. a schedule of two days a week or one that is full-time but seasonal.

Benefits would of course be in proportion to the actual length of service. However, service used to calculate eligibility for benefits would be calendar years. For example, if vesting occurred after 5 years of service, part-time workers should be vested after 5 years of regular part-time service. The benefit would be based on the actual service performed.

Inflation Protection

Because of the greater longevity of women and because wives are younger on average than their husbands, women need income in retirement over longer periods of time. As a result, the income of women in retirement is subject to greater erosion from inflation. Government retirement income arrangements provide a considerable degree of inflation protection. Such protection is not available in private sector employment pension plans. Inflation may quickly erode the purchasing power of a pension.

The Council recommends that a measure of inflation protection be provided by employers sponsoring pension plans, whether through the excess interest approach or by adjustments based on a fixed portion of increases in the Consumer Price Index.

The priority in terms of reform for women employees must be to deliver more pension benefits in the first instance. Certainly inflation protection is important because of women's greater longevity. However, providing inflation protection as a priority should not take precedence over providing more pension income generally (through expansion of CPP) and should not take precedence over providing improved portability (through earlier vesting and transfer rights) and coverage of part-time workers.

Further, if any priority exists with respect to inflation protection it is for vested benefits of employees who terminate before retirement. These benefits are calculated as of the date of termination of employment. As a result, not only may the employee's own contributions pay for the pension, but such benefit is subject to erosion for long periods of time. Also, these benefits are not increased when other plan benefits are improved. Retirement pensions, on the other hand, when calculated on final earnings, reflect the increase given in wages on account of increases in the cost of living and are updated for inflation to that extent.

Other Proposals

With respect to other proposals in the Green Paper, the Council recommends the removal of sex discrimination in pension benefits. Council has had regard to several factors:

- the equality provisions of the Charter of Rights and Freedoms which prohibit discrimination on account of sex will be in effect by April 17, 1985.
- the U.S. Supreme Court has held that the Civil Rights Act prohibits employers from offering pension plans that provide

men and women with unequal benefits. "Even a true generalization about a class cannot justify class-based treatment. An individual woman may not be paid lower monthly benefits simply because women as a class live longer than men."

- equality of benefits has been recommended by the Ontario Royal Commission.¹⁶
- Manitoba recently amended its pension law to prohibit unequal pension benefits to men and women with the same contribution to employer-sponsored retirement plans.

Sex-differentiated benefits should also be removed from all annuities, particularly those resulting from tax-sheltered vehicles such as RRSPs. The increased use of RPAs will make the removal of sex-differentiated benefits an increasingly important reform.

Proposals for reform which provide greater equity between various tax-sheltered vehicles and particularly greater flexibility will be beneficial for women. For example, the ability to contribute to RRSPs in later years on account of years when women were at home raising children is a measure in keeping with the thrust of this paper - to allow maximum flexibility by recognizing the interrupted work patterns of women. The same ability could be afforded RPA holders.

THE CHILD-REARING PENSION

In 1975, the Ontario Status of Women Council opposed the inclusion of housewives in the CPP. The conclusion reached at that time was that the contribution of home-makers could be recognized more appropriately through income security programs and family property law legislation. The Council later reassessed the matter and, in its brief to the Ontario Royal Commission in 1977, recommended further study of methods for bringing home-makers into the Canada Pension Plan. Throughout, however, the Council has viewed the home-maker as a producer of goods and services, and therefore deserving of recognition in law of certain rights comparable to those of paid workers.

The Council fully appreciates the distinction made between home-making which is a benefit to society as a whole and home-making which benefits the home-maker's spouse. The Council does not support the inclusion in the CPP of home-making work which benefits other able adults, believing instead that these services are best recognized through the marriage relationship and the various rights and protections it entails.

The Council, however, believes the raising of children is of benefit to all in society, and therefore endorses recognition of the child-rearing function, and would extend the CPP to home-makers caring for children up to age 12. The notional level of earnings should be modest. One possibility is the minimum wage standard (\$3.50 per hour in Ontario, say 1680 hours or \$5,880 per year). The Council emphasizes that it in no way regards child-rearing as work deserving of only the level of a minimum wage in real terms. However, the minimum wage standard is useful in that it reflects economic conditions in the province and is subject to the direct scrutiny of the Legislature and responsive to public pressure.¹⁷

The Council is also mindful of the cost of pension reform, and for that reason does not advocate a higher earnings assumption for the home-maker.¹⁸

Under the Council's proposal, the CPP contribution for the home-maker with children under 12 would be compulsory (3.6% of \$5,880 or \$211.68) to be provided by the wage-earning spouse. In families with low income or on family benefits, the contribution would be subsidized. Where the home-maker has earnings below the minimum wage level, her/his CPP earnings would be increased to the minimum level and any additional contributions required would be paid by the other wage-earning spouse, or in low income families, would be subsidized.

The Council has given very careful consideration to the child-rearing drop-out and, in effect, has found it does not go far enough. While the drop-out provision was and remains commendable in ensuring that those who drop out of the labour force to rear children will not be penalized in their CPP/QPP pension benefits, it nevertheless does not make the important service of child-rearing pensionable.

Thus, the Council is advocating a child-rearing pension as such, and not merely an improvement in the drop-out allowance. Only by recognizing child-care as work that is of value to all of society will home-making parents be enabled to establish sufficient retirement income in their own right.

THE MARRIAGE PARTNERSHIP

Since its establishment in 1973, the Ontario Status of Women Council has consistently held that marriage is a partnership and has devoted much of its efforts over the years to family law reform in Ontario.

Two basic principles that the Council believes must be recognized in Ontario's family laws are as follows:

- Marriage is a full partnership of equals, regardless of the functions that each partner performs within the marriage. Upon the termination of the partnership for whatever reason, the resources created by the partnership should be divided equally between the individual partners.
- There is no right or wrong way for a family to divide various responsibilities among its members. Each family in our society should be free to arrange its life-style in whatever way seems appropriate to the members of that family. If and when the marital relationship breaks down, no member of the family should be singled out for penalty because of the division of labour chosen. The economic repercussions of the choice should continue to be dealt with and borne by the family as a unit.

RECOMMENDATIONS

Relief of Poverty

An immediate increase in income supplements for the single elderly, to the low income cut-off level for single persons (Statistics Canada) or at least to a fair proportion of the prevailing income guarantee for an elderly couple. Income guarantees for the single elderly should be not less than two-thirds of those provided for couples.

Increased CPP Benefits

An increase in the CPP benefit formula so as to provide a pension of 50% of earnings up to the Average Industrial Wage, including the Old Age Security pension.

Employment Pension Plans

A. Improved portability on termination of employment:

- vesting and locking-in after 5 years of service;
- recognition of the employee's right to transfer the value of vested benefits to an RPA or new employment pension plan (subject to adjustment where such benefits are not fully funded);
- creation of a national central pension agency to maintain individual records of vested pension entitlements.

B. A minimum interest rate for refunds of employee contributions, that is, on termination before vesting, at not less than the annualized rate of the chartered banks for non-chequing accounts, compounded annually.

- C. Extension of coverage to part-time employees who perform 600 hours of service or more in a year, under conditions consistent with those applicable to full-time workers.
- D. A measure of inflation protection for employment pensions, particularly for the vested pensions of terminated employees.
- E. Elimination of sex discrimination in pension benefits and all annuities.
- F. More flexible RRSP provisions to permit tax-deductible contributions to make up for earlier years of low contributions or no contributions.

Child-Rearing Pension

Adoption of a child-rearing pension as part of the Canada Pension Plan, to provide pensions for the years spent caring for children under age 12.

Marriage and Pension Sharing

- A. Automatic sharing of employment pensions and RRSPs as family assets on marriage breakdown.
- B. Splitting of CPP/QPP pension credits as proposed in the Green Paper:
 - on marriage breakdown, on the death of either spouse, on attainment of age 65 by the younger spouse, or when either spouse becomes disabled.

Survivor Benefits

- A. Provision for a joint and survivor pension as the normal form of pension, unless waived in writing by both spouses, with the surviving spouse's benefit set at not less than 60% of these retirement benefits.
- B. Improved CPP/QPP survivor benefits as proposed in the Green Paper:
 - for survivors over age 65, replace current benefits by a lifetime continuing pension equal to 60% of a deceased spouse's retirement pension after credit-splitting to result in an 80% pension.
 - for spouses under age 65, replace the current benefit structure with a continuing pension benefit and with a short-term bridging benefit.
 - continue survivor benefits in the event of remarriage.

NOTES

1. Report of The Royal Commission on the Status of Pensions in Ontario, Government of Ontario, 1980. Vol. 1, pp. 71,72.
2. Royal Commission, Vol. 1, pp.94-97. Government programs provided 52% of all retirement income of single males compared to 61% for single females and 43% for couples. The Green Paper, Better Pensions for Canadians found 45% of the income of elderly women (singles and couples) came from OAS/GIS.
3. Royal Commission, Vol. 1, p.127, 132.
4. This discussion found in Tax/Transfer Benefits for the Elderly: Current Arrangements and Proposals for Reform, by Adil Sayeed, August 1983 for the Ontario Economic Council.
5. 1982 Low Income Cut-Offs

	<u>500,000+</u>	<u>100-500,000</u>	<u>30-100,000</u>	<u>Small</u>	<u>Rural</u>
1-person household	\$ 8,914	\$ 8,466	\$ 7,941	\$7,342	\$6,592
2-person household	\$11,761	\$11,162	\$10,414	\$9,663	\$8,615

6. Single: \$256.67 OAS + \$257.68 GIS
Couple: \$256.67 OAS + \$198.67 GIS each
7. Royal Commission, Canadian Occupational Structures: Expected Changes by Daniel Kubat, Vol.IX, p.31. The Ontario Royal Commission's studies concluded that the composition of the labour force will tend towards being evenly distributed between the sexes, with some under-representation of women in child-bearing ages. Dr. Kubat expected that women's participation rate would stabilize at 60% during the child-bearing ages.
8. Flat benefit plans are based on a fixed amount (e.g. \$10 per month for each year of service) and are not based on earnings. These plans are commonly negotiated in collective agreements.
9. Royal Commission. Harry Weitz, Pension Coverage and its Potential in Ontario, Vol.VIII, p.107.
10. Ibid., p.109.
11. Historical coverage data indicates overall coverage rates have stabilized. Also see Royal Commission, Vol. VIII, pp.100,101.
12. Royal Commission, Vol. II, p.25.
13. Royal Commission, Vol. II, p.5.

14. The Green Paper, Better Pensions for Canadians, 1982, Ch. 4, p.29.
15. Also consider the effect of the Canadian Charter of Rights and Freedoms, section 15, with respect to age discrimination.
16. Royal Commission Vol.III, p.127.
17. Royal Commission, Vol.I, p.180. Ontario determines the minimum wage having regard to manufacturing earnings in the province and elsewhere, welfare assistance levels, poverty lines, and state of the economy.
18. The Council used the Green Paper estimates of an increased CPP contributions rate to 8-10% over 50 years under the existing benefit structure. Accordingly, its proposals to increase the CPP would result in an increase to 12-15% over 50 years. The child-rearing pension would likely cost an additional 1 to 2%.
19. Other assets may be shared if so ordered by a court where a spouse has impoverished family assets; where the result of the division of family assets would be inequitable in all the circumstances; or where one spouse contributes work or money or money's worth to property. The court assesses the contribution of the spouse.
20. cf. British Columbia where pensions are deemed family assets.
21. Royal Commission Vol.III, p.121.

APPENDIX A

Employee Contributions and Benefits: Ratios in Defined Benefit Plans

(from the Report of the Royal Commission on the Status of Pensions in Ontario, Vol.II, pp.73-74)

Any discussion of vesting and locking-in accordingly must take into account the relationship at various ages between the value of employee contributions and the value of the vested (defined) benefit. While this problem does not arise in non-contributory plans, it is common to most contributory types. Its implications may be seen in the following extract from a working paper prepared by the federal Department of Insurance:

- "a) The table below indicates the situation in typical 'career average' pension plans under current economic conditions but where no updating of benefits has taken place. The interest rate assumed in the calculations is $6\frac{1}{2}$ per cent per annum and salary progression is $5\frac{1}{2}$ per cent per annum.

Entry age of plan member	Employee contribution rate as a per cent of salary	Benefit level as a per cent of salary	Age at which the value of accrued benefits is greater than the value of employee contributions accumulated at $6\frac{1}{2}$ per cent
25	5.0	2.0	62
35	5.0	2.0	55
45	5.0	2.0	47
25	5.0	1.5	after age 65
35	5.0	1.5	62
45	5.0	1.5	55

- "b) A similar situation exists under 'final average' pension plans but the age at which the value of the accrued benefits is greater than the value of employee accumulated contributions will be somewhat lower than in the case of 'career average' plans. The table below indicates the situation in a 'final 5-year average' pension plan where the interest rate used in the valuation is $6\frac{1}{2}$ per cent per annum and the salary scale is $5\frac{1}{2}$ per cent per annum.

Entry age of plan member	Employee contribution rate as a per cent of salary	Benefit level as a per cent of salary	Age at which the value of accrued benefits is greater than the value of employee contributions accumulated at $6\frac{1}{2}$ per cent
25	5.0	2.0	50
35	5.0	2.0	49
45	5.0	2.0	47
25	5.0	1.5	55
35	5.0	1.5	54
45	5.0	1.5	53

- "c) As can be seen from the first table, under certain career average plans, there could be, in addition to many locked-in terminated employees, also employees reaching retirement age, for whom the value of benefits is less than the value of their contributions."

